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Held at the Westin Lima Hotel and Convention Center, Lima, on Wednesday, 4 December 2013, at 3 p.m.

Moderator of interregional debate 5: Ms. Ahmad Din ..... (International Consultant in Enterprise and Entrepreneurship, Malaysia)

Moderator of interregional debate 6: Mr. Sajdik ..... (Permanent Representative of Austria to the United Nations)

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The meeting was called to order at 3.05 p.m.

Forum on industrial development issues (GC.15/4) (*continued*)

Interregional debate 5: "Economic diversification and industrialization in countries rich in natural resources"

1. An interregional debate was held on economic diversification and industrialization in countries rich in natural resources. The moderator, Ms. Fadzilah Ahmad Din, consultant and former Senior Director of Business Development and Director of Enterprise Development and Entrepreneurship, SME Corporation Malaysia, introduced the panellists: Mr. Vusal Gasimli, Chief, Economic Analysis and Global Affairs Department, Centre for Strategic Studies, Azerbaijan; Mr. Thorvaldur Gylfason, Professor of Economics, University of Iceland; Mr. Barry Ridgway, Vice-President, Sales, Marketing and Services, Microsoft Latin America; Ms. Gladys Triveño, Minister of Production, Peru; and Mr. Arne Wiig, Research Director, Christian Michelsen Institute, Norway.

2. In his introductory statement, Mr. Wiig said that countries should specialize according to their comparative advantages; however, there were both economic and political reasons for diversification, such as protection from price fluctuations for exported goods. Countries with the highest levels of export concentration tended to be oil-producing countries and, in general, were less democratic than countries whose exports had been diversified. Many resource-rich countries experienced very slow or even negative growth as a result of patronage and rent-seeking. Diversification and strong institutions could counter that problem. In addition, structural transformation leading away from an agrarian society had a positive impact on democracy, as it helped to establish a middle class.

3. Weak institutions made it difficult to diversify production, in part because of their inability to coordinate decisions and foster the invention of new products, which was a key element of diversification. The fear of losing political power could also impede diversification; for example, the political elite might restrict or prevent the emergence of new types of industry if they represented a threat to its political power.

4. Mr. Gylfason explained that in Norway, natural resources had always been considered as belonging to the people and that that right was enshrined in law. About 80 per cent of oil revenues had been used to create a pension fund that contained over US$ 100,000 for every citizen. The fact that the country's oil revenues were managed by an independent institution, the Central Bank of Norway, ensured that their management was depoliticized.

5. Norway had always been a democracy, so the risk of rent-seeking had never arisen, and the country had found a way to harness its natural capital using its human capital. Norway was an example of a country that had successfully diversified away from overdependence on natural resources. Diversification through manufacturing and services had benefited the population and encouraged economic growth.

6. Mr. Gasimli said that, when designing their fiscal policies, countries with finite natural resources should consider how much to invest and how much to save or consume. The permanent income hypothesis that had been successfully applied in Norway was not suited to countries that needed to improve their infrastructure and raise their human capital level, as in the case of Azerbaijan. For that reason, a country-specific and context-specific approach was important.

7. Before designing a diversification policy, it was important to consider the extent to which the economy could be diversified, to find the golden rule between tradable and non-tradable sectors and to synchronize the development of the business climate with that of infrastructure.

8. The substantial growth in exports and high level of GDP growth experienced by the so-called "Asian Tigers" had contributed to the view that export orientation and export diversification led to long-term economic development. Diversification efforts had capitalized on an abundant labour supply and the export of a high volume of manufacturing goods. The focus on export diversification was a common characteristic for all countries that had successfully diversified. Azerbaijan was striving to diversify its exports both horizontally, by adding new petrochemical products to the value chain, and vertically, moving away from oil and gas dominance to other high value-added sectors.

9. Some resource-rich countries that had successfully diversified their economies experienced difficulties in escaping the middle-income trap. The Republic of Korea was an example of a country that had avoided that trap through, inter alia, institutional reforms and having a highly skilled labour force and a stable Government.

10. Mr. Ridgway said that building up a country's telecommunications infrastructure was essential for encouraging innovation and entrepreneurship and for attracting businesses, because connectivity was important in a globalized world, in particular given the rise in virtual businesses that were based on cloud computing and telecommunications. It was also important to invest in a strong education system, a skilled and capable labour force and an environment that encouraged entrepreneurship, for example, through the facilitation of access to networking opportunities, financing and other elements required to build a business. Microsoft focused on building the capacity to support technology innovation in the countries into which it expanded through the creation of partnerships with, inter alia, software engineers and developers and telecommunication partners, as well as on helping markets to grow and creating a strong local software economy.

11. Governments, non-governmental organizations, industry associations and international organizations should facilitate discussions on the policies required to stimulate innovation, such as transparency, intellectual property protection and economic incentives for innovation and investment. Not every market was the same and it was vital to recognize the core areas of competence in a country's economy and industry and to build from there, rather than attempting to create new industries from scratch when the relevant competencies, natural resources or human capital were not available.

12. Ms. Triveño said that Peru had a great diversity of natural resources, huge areas of forest and great hydrocarbon and mineral wealth, but a great deal of inequality. Over the previous two decades, the economy of Peru had grown partly as a result of openness to trade and macroeconomic stability, which had been achieved through low inflation and control of and greater transparency in fiscal expenditure. Poverty in Peru had been reduced and the middle class had grown, which meant that there was a sector of the population that had acquired greater purchasing power and better access to public services, the Internet and goods and services.

13. The mineral sector had led economic growth, but non-traditional exports had also increased, in particular in the agro-industry, wood and chemical sectors. Improved diversification had been achieved in agro-industrial exports as a result of determined efforts to enable companies to diversify, increased foreign and national investment and trade agreements, and the creation of incentives. However, a number of challenges remained. The fishing industry of Peru was a key component of its economy, but the country had experienced little growth in fishing exports; although it exported alpaca fibre, it did not export clothing made from alpaca wool. More wealth could be achieved through adding value to, rather than simply exporting, raw materials, and through improvements to infrastructure, education and access to technology.

14. The moderator said that the importance of economic diversification had been realized in Malaysia in the 1960s. Having been a chiefly rubber- and tin-exporting nation, Malaysia had begun to focus on developing its manufacturing capabilities. From the 1990s, production capacity and international competitiveness had been emphasized and Malaysia had begun a process of export-oriented industrialization because its domestic market had not been large enough to sustain growth. Despite steady growth, the country had become caught in the middle-income trap. Consequently, the Government had launched the Economic Transformation Programme in 2010 with the aim of becoming a high-income economy by 2020 while ensuring inclusiveness and the sustainability of economic initiatives and preventing the widening of the income gap.

15. Malaysia had natural resources and a stable Government that had focused on investing revenues from natural resources into development and infrastructure. The economy had been diversified both horizontally, from commodities to non-commodities, and vertically, from raw commodities to processed goods. Its openness to foreign investment and labour had helped the development of non-resource-based industries. The development of small and medium-sized enterprises (SMEs) had always been

emphasized in Malaysia, because they were considered the engine of growth.

16. When asked by the moderator what role SMEs played in economic diversification and how SMEs were supported, Mr. Gasimli said that several funds had been established in Azerbaijan, under the auspices of relevant ministries, to support SME development. Diversification along the value chain was required and Azerbaijan strove to create additional value by following the so-called "smiling curve" model, attracting SMEs at the beginning and end of the value chain.

17. SME development and innovation-led development were very important. Attempts were being made to improve labour productivity, since it was necessary to increase the qualifications of the labour force in order to achieve SME development, economic diversification and increased manufacturing output.

18. Ms. Triveño said that diversification required a skilled labour force. The gaps in training and human resources that existed in countries like Peru therefore represented an obstacle to diversification. New policies fostering the knowledge, skills and capacity of small enterprises were needed so that those enterprises could benefit from the wealth created by the natural resources on which their activities were based.

19. Mr. Wiig said that the use of local content, combined with a democratic society and control of patronage activities, had been very successful in creating new oil-related industries and service providers in Norway. It was important to support SMEs through general incentives and by addressing the types of problems they faced so that they were able to compete and innovate.

20. In response to the moderator's question as to what advice the panellists would give to countries beginning to diversify their economies, Mr. Wiig said that the first step should be to examine what kind of interests there were in different sectors, which sectors were performing well and the different types of resources available. Diversification strategies should reflect the type of resources in the country concerned and the type of political system and institutions in place. An enabling environment, with good infrastructure, human capital and general support and incentives, was crucial, as that allowed entrepreneurs to diversify by themselves.

21. Mr. Gylfason said that resource-rich countries needed to be aware of mismanagement of natural resources, which tended to attract the wrong sort of people to politics and led to rent-seeking; "Dutch disease", which manifested itself through overvalued and volatile currencies that were damaging to exports, efficiency and economic growth; and the false sense of security that abundant natural resources gave to the authorities and the people, which led to a lack of motivation to strengthen and protect political and educational institutions.

22. Mr. Gasimli added that if institutions facilitated economic and social development, the middle-income trap, "Dutch disease" and rent-seeking could be avoided. He suggested that a new platform on diversification issues be created under the umbrella of UNIDO and that Azerbaijan organize the next round of discussions on the topic.

23. Mr. Ridgway said that the change management elements of moving dependence on one set of resources to a different set needed to be encouraged. He also recommended enlisting the support of partners to achieve specific objectives.

24. Responding to a question from a member of the audience, Mr. Wiig said that support for industries controlled by a local elite entailed the risk of supporting the interests of that elite. Furthermore, it was not efficient to target one specific industry at the cost of another. There was a danger that foreign investment in certain industries could have a negative impact on national institutions, but although multinational countries should be aware of that, it should not stop them investing.

25. The moderator, when asked how to define SMEs, said that countries had to stratify them and understand their profiles. Medium-sized enterprises were more likely to play a role in economic diversification and could not be treated in the same way as small and micro-enterprises.

Interregional debate 6: "Empowering women: fostering entrepreneurship"

26. An interregional debate was held on fostering women's entrepreneurship as a means of empowering women. The moderator was Mr. Martin Sajdik, Permanent Representative of Austria to the United Nations in New York, and the panellists

were: Mr. Gerard Finnegan, former Director of the Lusaka Country Office, International Labour Organization (ILO); Ms. Vidyani Hettigoda, Director, Siddhalepa Group of Companies, Sri Lanka; Ms. Eva Muraya, Chief Executive Officer, Brand Strategy and Design (EA) Limited, Kenya; Ms. Shahina Waheed, National Programme Officer, UNIDO; and Ms. Dessima Williams, former Permanent Representative of Grenada to the United Nations in New York and Founder and Director of the Grenada Education and Development Programme.

27. *A video was shown on women's entrepreneurship in the context of inclusive and sustainable development.*

28. The moderator said that economies grew when more women entered the labour market, but women remained the most underutilized asset in the world economy. Women often started their own businesses out of necessity because they were excluded from the labour market, whereas men tended to view entrepreneurship as an opportunity for innovation and growth.

29. Issues that needed to be addressed in order to encourage entrepreneurship among women included the exploration of innovative means of allowing women to exchange or obtain practical entrepreneurship experience, how to maintain girls' interest and confidence in subjects such as mathematics at school and how to improve access to finance.

30. Ms. Muraya said that she had been introduced to entrepreneurship only as an adult, which had represented a barrier for her as she had lacked not only experience but also information about related subjects, such as technology and investments. She had also found there to be a lack of role models and had experienced difficulties in accessing affordable credit. In addition, as a wife and mother, she had been faced with various familial and social obligations not faced by men.

31. The following were needed to overcome the many barriers that women faced, in particular in emerging economies: the formulation of affirmative action policies to promote equity in economic engagement; improved access to education, training, market information and finance to provide a more enabling environment for female entrepreneurs; entrepreneurship training and mentoring; and strong institutions that provided access to business networks, markets, and information and communication technologies.

32. Ms. Hettigoda said that she had started her career as a labourer and had learned different skills over time. She believed that that was one path that an entrepreneur could take. In Sri Lanka, many women did not work after they married, but working from home was a good way of allowing them to earn an income; her company provided training on giving spa treatments from the home. It also offered flexible working hours, a crèche, medical services for children and transportation in order to assist women in remaining in employment.

33. The provision of training in, among other areas, information technology, food processing and services that could be offered from the home, such as hairdressing and tourism-related activities, as well as in entrepreneurship and independence, could help women to join the labour market. Opportunities for networking with other female entrepreneurs were vital in order to give women the confidence to start their own businesses. In general, access to finance and knowledge of information technology needed to be improved. Sri Lanka needed more university facilities and more women at the decision-making level.

34. The empowerment of women needed to start in schools, so that girls had the confidence to become entrepreneurs in the future. It was more effective to empower small groups of women, as the benefits would spread to wider groups through community links and word of mouth.

35. Mr. Finnegan said that the concepts of "micro" and "small" had often been associated with female entrepreneurs, for example microfinancing, but there was no reason to apply those restrictive words specifically to women. Projects to empower women needed to take into account family responsibilities, otherwise women could be forced out of business.

36. During his time working for ILO, he had initiated the Women's Entrepreneurship Development and Gender Equality (WEDGE) programme, which was aimed at developing the knowledge base of women entrepreneurs through, for example, the collection of sex-disaggregated data and information on good practices and successes around the world, and at developing partnerships both internally, such as

between ministries, and externally, such as between international organizations, international and regional financial institutions, the private sector and Governments. The UNIDO General Conference was a good example of partnerships at work.

37. Ms. Waheed said that girls and boys were raised differently in order to fulfil the different roles expected of them by society. That was a major social and cultural barrier to women's becoming involved in business, which had traditionally been considered a male domain. However, once women realized that they did not have to conform to those expectations and learned such life skills as confidence, time management and the power to negotiate, they could overcome such barriers and become successful entrepreneurs.

38. Synergies between the private and public sectors, such as between organizations and institutions and between universities and industry, should be facilitated to further understanding of the particular needs of women so that appropriate programmes and services could be set up to help them become successful in business.

39. The creative industries represented the key to inclusive industrial development and those industries were well suited to women. The creation of a new job market in those industries would mean that women were not competing with or taking jobs from men. Advancing those industries should be part of the post-2015 agenda.

40. Ms. Williams proposed various solutions to the barriers faced by female entrepreneurs, including the expansion of women's access to economic decision-making through increased female representation at the policymaking level, involving more men in the gender equality debate and providing female entrepreneurs with access to capacity-building and new technologies, for example through intergenerational partnerships, to allow them to streamline their production methods and increase output.

41. In response to questions and comments from members of the audience, the panellists referred to the changing role of the entities of the United Nations system in promoting women's empowerment and how the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) could take the lead in bringing different agencies together; the empowerment and education of women as means of allowing men and women to work together as partners and break the pattern of each gender fulfilling traditional and unequal roles; the importance of education in enabling women to enter traditionally male-dominated sectors such as engineering; and the need for female entrepreneurs to become involved in mentoring and coaching.

42. Ms. Muraya outlined some of the steps that a small enterprise needed to take in order to expand: build a compelling brand; have a clear value proposition with regard to its products or services; examine the technical skills of the workforce and improve them if required; and draw up a bankable business plan to secure bank credit or attract investors.

43. The moderator summed up by saying that gender inequality was driven by multiple factors but equality could be achieved if the right environment was created. Progress was being made in that regard. The entities of the United Nations system should coordinate and collaborate on the gender-related issues that formed part of their mandates within the framework of the post-2015 development agenda. He asked members of the audience and panellists to continue the discussion and to consider the role of UNIDO in fostering gender equality in industry.

The meeting rose at 6.20 p.m.